

Massachusetts Electric

A National Grid Company



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Counsel

May 31, 2002

Mary L. Cottrell, Secretary
Department of Telecommunications and Energy
One South Station, 2nd Floor
Boston, MA 02110

Re: Massachusetts Electric Company and Nantucket Electric Company, Docket Nos. D.T.E. 00-67 and 01-109

Dear Secretary Cottrell,

On behalf of Massachusetts Electric Company and Nantucket Electric Company (together "Mass. Electric" or the "Company"), enclosed please find Mass. Electric's proposed Standard Offer Service Fuel Adjustment ("SOSFA") effective for usage on and after July 1, 2002, being made in conjunction with the Department's letter order dated December 4, 2000 in Docket DTE 00-67. In that order, the Department approved the implementation of a SOSFA for electric companies in Massachusetts and adopted a uniform SOSFA surcharge calculation methodology effective January 1, 2001. By this filing the Company is also submitting, in compliance with the Department's order in Docket DTE 01-109, Mass. Electric's estimate of its Standard Offer Reconciliation for the period ending September 30, 2002.

In light of the decline in fuel oil and natural gas prices during the latter half of 2001 and the Department's periodic review of the adequacy of Standard Offer Service rates in Massachusetts, the Company is proposing to eliminate its SOSFA for the period July 1, 2002 through December 31, 2002. The currently approved SOSFA included in Mass. Electric's Standard Offer Charge is 1.426¢ per kWh. The Company is proposing to reduce this factor to 0.000¢ per kWh. Mass. Electric will review the need for a SOSFA during 2003 as part of its semi-annual review of fuel oil and natural gas prices at the end of 2002 and will file a proposal with the Department at that time.

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Attachment 1 to this filing provides various data related to Mass. Electric's SOSFA values. Page 1 calculates the proposed SOSFA of 0.000¢ per kWh effective for usage on and after July 1, 2002, should the Department determine that such an adjustment is necessary. The application of the adjustment value of 1.00000 applied to the base standard offer rate of 4.200¢ per kWh results in no change to the base standard offer rate. Pages 2 through 4 provide the supporting calculations as well as market prices for fuel oil and natural gas over the prior 12 months (May 2001 through April 2002). These actual historical fuel oil and natural gas prices have been applied to a fuel trigger value of \$6.09, the contractual fuel trigger that is in effect during 2002.

In compliance with the Department's order in Docket DTE 01-109 regarding the Company's annual retail rate filing, Mass. Electric is including in today's filing an update of the estimated balance in its Standard Offer Reconciliation for the two-year reconciliation period ending September 30, 2002, as proposed by the Company in its November 30, 2001 annual retail rate filing and approved by the Department in its order in that docket. The estimated over recovered balance in this reconciliation as of September 30, 2002 of approximately \$4.2 million can be found in Attachment 2 to this filing.

Based upon the significant difference between the currently effective SOSFA of 1.426¢ per kWh and Mass. Electric's updated SOSFA calculation of 0.000¢ per kWh, and the recovery of Mass. Electric's deferred Standard Offer Service costs which it had incurred during the period October 2000 through September 2001, Mass. Electric recommends that the Department approve a downward adjustment to Mass. Electric's SOSFA to 0.000¢ per kWh, resulting in a Standard Offer Service rate of 4.200¢ per kWh for usage on and after July 1, 2002. Mass. Electric estimates that this reduction in the Standard Offer Service rate would provide lower Standard Offer Service charges in accordance with the Department's methodology for establishing the SOSFA while at the same time avoiding a significant over recovery of Standard Offer Service costs by the end of the current reconciliation period (September 30, 2002).

Thank you for your attention to this compliance filing.

Very truly yours,

Amy G. Rabinowitz
Attorney for Massachusetts
Electric Company and
Nantucket Electric Company

cc: Joseph Rogers
D.T.E. 00-67 Service List
D.T.E. 01-109 Service List